

February 22, 2019



# Bluegreen Vacations Corporation Reports Fourth Quarter and Full Year 2018 Results

FORT LAUDERDALE, Fla., Feb. 22, 2019 (GLOBE NEWSWIRE) -- BBX Capital Corporation (NYSE: BBX) (OTCQX: BBXTB) ("BBX Capital"), announced that Bluegreen Vacations Corporation (NYSE: BXG), which is 90% owned by BBX Capital, issued the following press release. Please see the Bluegreen press release below.



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## BLUEGREEN VACATIONS CORPORATION REPORTS FOURTH QUARTER AND FULL YEAR 2018 RESULTS

BOCA RATON, Florida (February 22, 2019) – Bluegreen Vacations Corporation (NYSE: BXG) ("Bluegreen" or the "Company") today reported its fourth quarter and full year 2018 financial results.

### 4Q18 Highlights:

- Earnings Per Share ("EPS") of \$0.27, compared to \$0.91 in the prior year quarter. The fourth quarter of 2017 included a \$0.66 per share income tax benefit as a result of the impact of the Tax Cuts and Jobs Act of 2017 (the "Tax Act").
- Net income attributable to shareholders was \$19.8 million, compared to \$66.4 million in the prior year quarter. The fourth quarter of 2017 included a \$47.7 million income tax benefit as a result of the impact of the Tax Act.
- Adjusted EBITDA of \$31.7 million, compared to \$35.5 million in the prior year quarter.
- Total revenue of \$173.7 million, compared to \$177.9 million in the prior year quarter.
- System-Wide Sales of Vacation Ownership Interests (VOIs) of \$146.0 million, compared to \$151.9 million in the prior year quarter.
- Completed a \$117.7 million securitization of vacation ownership loans with a fixed, weighted-average interest rate coupon of 4.02%.

### Full Year 2018 Highlights:

- EPS of \$1.18, compared to \$1.77 in the prior year. 2017 included a \$0.66 per share income tax benefit as a result of the impact of the Tax Act.
- Net income attributable to shareholders was \$88.0 million, compared to \$126.6 million in the prior year. The full year 2017 included a \$47.7 million income tax benefit as a result of the impact of the Tax Act.
- Adjusted EBITDA of \$141.8 million, compared to \$150.3 million in the prior year.
- Total revenue of \$738.3 million, compared to \$723.1 million in the prior year, a 2.1% increase from the prior year.
- System-Wide Sales of VOIs of \$624.1 million, compared to \$619.3 million a 0.8% increase from the prior year.
- Expanded inventory sources through: (i) the acquisition of The Éilan Hotel and Spa in San Antonio, Texas for approximately \$34.3 million, (ii) a fee-based service agreement at The Marquee in New Orleans, Louisiana, and (iii) an exclusive agreement to acquire inventory at The Manhattan Club, a residence-style boutique hotel in Midtown Manhattan.

“In 2018 we continued to build our platform with a view toward positioning Bluegreen Vacations for growth in the coming years,” said Shawn B. Pearson, Chief Executive Officer and President. “To that end, we upgraded our sales and inventory technology systems, expanded our digital capabilities and made additions to our executive team who will enhance our partnerships and marketing programs. We also increased our resort network in highly attractive markets including San Antonio, New Orleans and New York City and look forward to realizing the benefits as our new sales centers open and mature. While we expect more significant growth in the latter part of 2019, we anticipate that our early 2019 sales growth will be similar to that achieved in 2018. We believe that our solid balance sheet, capital-light business model with attractive cash flow and low leverage, along with ongoing demand for our vacation ownership resorts, positions Bluegreen for solid long-term performance.”

## Financial Results

(dollars in millions, except per share data)

|   | Three Months Ended December 31, |          |           | Year Ended December 31, |          |           |
|---|---------------------------------|----------|-----------|-------------------------|----------|-----------|
|   | 2018                            | 2017     | Change    | 2018                    | 2017     | Change    |
| Total revenue   | \$ 173.7                        | \$ 177.9 | (2.4 ) %  | \$ 738.3                | \$ 723.1 | 2.1 %     |
| Income before non-controlling interest and provision for income taxes | \$ 26.2                         | \$ 28.9  | (9.3 ) %  | \$ 128.9                | \$ 137.0 | (5.9 ) %  |
| Net income attributable to shareholders                               | \$ 19.8                         | \$ 66.4  | (70.2 ) % | \$ 88.0                 | \$ 126.6 | (30.5 ) % |
| Earnings per share basic and diluted                                  | \$ 0.27                         | \$ 0.91  | (70.3 ) % | \$ 1.18                 | \$ 1.77  | (33.3 ) % |
| Adjusted EBITDA   | \$ 31.7                         | \$ 35.5  | (10.7 ) % | \$ 141.8                | \$ 150.3 | (5.7 ) %  |
| Capital-light revenue <sup>(1)</sup> as a percentage of total revenue | 74.0 %                          | 58.9 %   | 1,510 bp  | 71.0 %                  | 69.0 %   | 200 bp    |

(1) Bluegreen's "capital-light" revenue includes revenue from the sales of VOIs under fee-based sales and marketing arrangements, just-in-time inventory acquisition arrangements, and secondary market arrangements, as well as other fee-based services revenue and cost reimbursements revenue.

Total Revenue for the three months ended December 31, 2018 was \$173.7 million,

compared to \$177.9 million in the prior year period, primarily due to decreases in VOI sales and an increase in the provision for loan losses as discussed more fully under “Segment Results” below. Adjusted EBITDA was \$31.7 million in the fourth quarter of 2018 compared to \$35.5 million in the fourth quarter of 2017, primarily due to lower total revenue and higher net carrying cost of inventory.

Corporate & Other expenses were \$19.0 million in the fourth quarter of 2018 compared to \$18.8 million in the fourth quarter of 2017. The slight year over year increase was due to a number of factors including ongoing higher outside legal expenses in connection with our decision to vigorously defend claims which the Company believes to be frivolous; increased depreciation expense in connection with the acquisition of information technology assets to support the Company’s growth; and investor and public relations activities related expenses.

In terms of segment results, growth in the Company’s Resort Operations and Club Management segment was offset by results in the Sales of VOI and Financing segment, as more fully described below.

## Segment Results

### Sales of VOIs and Financing Segment

(dollars in millions, except per guest and per transaction amounts)

|                                      | Three Months Ended December 31, |           |           | Year Ended December 31, |           |           |
|--------------------------------------|---------------------------------|-----------|-----------|-------------------------|-----------|-----------|
|                                      | 2018                            | 2017      | Change    | 2018                    | 2017      | Change    |
| System-wide sales of VOIs            | \$ 146.0                        | \$ 151.9  | (3.9 ) %  | \$ 624.1                | \$ 619.3  | 0.8 %     |
| Segment adjusted EBITDA              | \$ 36.8                         | \$ 44.5   | (17.3 ) % | \$ 173.7                | \$ 181.6  | (4.4 ) %  |
| Number of total guest tours          | 55,958                          | 58,570    | (4.5 ) %  | 238,141                 | 252,257   | (5.6 ) %  |
| Average sales price per transaction  | \$ 16,085                       | \$ 15,135 | 6.3 %     | \$ 15,692               | \$ 15,365 | 2.1 %     |
| Sales to tour conversion ratio       | 16.3 %                          | 17.2 %    | (5.2 ) %  | 16.8 %                  | 16.1 %    | 4.3 %     |
| Sales volume per guest (“VPG”)       | \$ 2,624                        | \$ 2,601  | 0.9 %     | \$ 2,642                | \$ 2,479  | 6.6 %     |
| Selling and marketing expenses, as a |                                 |           |           |                         |           |           |
| % of system-wide sales of VOIs       | 50.5 %                          | 51.1 %    | (60 ) bp  | 49.3 %                  | 51.6 %    | (230 ) bp |
| Provision for loan losses            | 20.7 %                          | 16.4 %    | 430 bp    | 16.8 %                  | 16.1 %    | 70 bp     |
| Cost of VOIs sold                    | 6.8 %                           | 9.6 %     | (280 ) bp | 9.4 %                   | 7.3 %     | 210 bp    |

During the fourth quarter of 2018, system-wide sales of VOIs were \$146.0 million, compared to \$151.9 million in the fourth quarter of 2017. The decrease in sales reflected the decrease in guest tours, partially offset by a slightly higher average sales volume per guest (“VPG”). For the full year, system-wide sales of VOIs were up 0.8% to \$624.1 million compared to \$619.3 million in 2017.

Average sales volume per guest and average sales price per transaction increased 0.9% and 6.3%, respectively, during the fourth quarter of 2018 compared to the fourth quarter of 2017, while guest tours declined by 4.5% in the fourth quarter of 2018 and declined 5.6% for the full year in the fourth quarter of 2018 compared to the comparable prior year periods. We believe a key driver of these year over year changes is the Company’s ongoing initiatives to screen the credit qualifications of potential marketing guests which has resulted in improved efficiencies in the sales process, at the cost of a lower number of tours.

Provision for loan losses increased to 20.7% of gross VOI sales, compared to 16.4% in the prior year fourth quarter. The year over year increase was driven primarily by continued attorney cease and desist activity which resulted in required changes in estimated losses on

prior year period originations. The charge related to prior period originations was approximately \$3.7 million. The Company believes that its zero-tolerance strategy and further steps to address this situation in 2019, should ultimately result in a reduction of cease and desist activity.

Fee-based sales commission revenue was \$48.8 million in the fourth quarter of 2018, compared to \$50.3 million in the fourth quarter of 2017. The year over year change reflected lower sales of third-party VOI inventory and slightly lower commission rates.

In the fourth quarter of 2018, cost of VOIs sold represented 6.8% of sales of VOIs compared to 9.6% in the fourth quarter of 2017. During the fourth quarter of 2018, cost of VOIs sold were comparatively lower as result of a \$3.6 million favorable GAAP adjustment relating to a price increase implemented in 2018. Purchases of secondary market inventory that were temporarily suspended in the third quarter of 2018 resumed during the fourth quarter of 2018.

Financing revenue, net of financing expense, was \$14.6 million in the fourth quarter of 2018, compared to \$15.4 million in the fourth quarter of 2017. The year over year change reflected the Company's higher cost of borrowing, and lower weighted average interest rates on VOI notes receivable as a result of the Company's implementation of "risk-based pricing" based on each customer's FICO score.

Net carrying cost of inventory increased \$3.3 million in the fourth quarter of 2018 compared to the fourth quarter of 2017, primarily due to the carrying cost associated with the Éilan Hotel and Spa, which was acquired in April 2018.

Selling and marketing expenses in the fourth quarter of 2018 decreased on an absolute basis and as a percentage of system-wide sales due in part to a higher percentage of sales to the Company's existing owners and the reduction of certain fixed selling and marketing expenses in connection with the corporate realignment initiative commenced during the fourth quarter of 2017. Selling and marketing expenses in the fourth quarter of 2017 included a \$4.8 million, one-time payment to Bass Pro, Inc. ("Bass Pro") as well as \$1.2 million of severance costs, both of which were added back to Segment Adjusted EBITDA, with no such material expenses in the fourth quarter of 2018.

The Company has continued to meet with Bass Pro's leadership in an effort to resolve the issues which arose between the parties in 2017 and 2018. Although the resolution of the outstanding issues with Bass Pro has taken a great deal longer than the Company had hoped, the Company believes it is diligently working towards a mutually beneficial agreement. While there is no assurance that a resolution will be reached, the Company remains optimistic that it will achieve a resolution of the outstanding issues. The Company is hopeful that the resolution will address the timing of entry into the Cabela's stores and an extension of the parties' agreements. If reached, the resolution may include a restructuring of the amount and timing of compensation paid to Bass Pro. In the meantime, the Company continues to execute its vacation package marketing strategy under its current agreement with Bass Pro, including the recent opening of a Bluegreen kiosk in the new Bass Pro location at the Silverton Casino in Las Vegas and to add another in-store sales kiosk location in Rogers, Arkansas in the second quarter. At Bluegreen/Big Cedar Vacations, LLC (the "Joint Venture"), the Joint Venture has commenced construction of cabins at the Wilderness Club at Big Cedar resort in the normal course of business.

## Resort Operations and Club Management Segment

(dollars in millions)

|   | Three Months Ended December 31, |         |          | Year Ended December 31, |          |          |
|---|---------------------------------|---------|----------|-------------------------|----------|----------|
|   | 2018                            | 2017    | % Change | 2018                    | 2017     | % Change |
| Resort operations and club management revenue | \$ 41.1                         | \$ 36.5 | 12.4 %   | \$ 168.4                | \$ 149.7 | 12.4 %   |
| Segment adjusted EBITDA                       | \$ 12.5                         | \$ 11.4 | 9.5 %    | \$ 50.6                 | \$ 43.4  | 16.6 %   |
| Resorts managed                               | 50                              | 48      | 4.2 %    | 50                      | 48       | 4.2 %    |

In the fourth quarter of 2018, resort operations and management club revenue increased by \$4.6 million, or 12.4%, to \$41.1 million from the prior year quarter. The increase was driven in part by the additional resorts managed at the end of the fourth quarter of 2018 compared to 2017, as well as fee increases under certain management contracts. Segment adjusted EBITDA grew by 9.5% to \$12.5 million.

### Acquisition Activity

During 2018, the Company completed three transactions which added resorts to its network.

- The Marquee in New Orleans, LA. In March, the Company entered into a fee-based service agreement with Marquee Developer, LLC, owner and developer, of The Marquee, which is expected to add 94 units of resort inventory. The Marquee resort VOIs will be sold through The Bluegreen Vacation Club, and will be available for Vacation Club guests in 2019. The Company opened a 5,400 square foot sales office at The Marquee in December 2018.
- The Éilan Hotel & Spa in San Antonio, Texas. In April the Company acquired the Éilan Hotel & Spa for approximately \$34.3 million, and has opened a 11,320 square foot sales office at the Éilan Hotel & Spa. The Éilan is a 165-guest room, boutique hotel featuring a 10-treatment-room spa, resort-style pools, a state-of-the-art fitness center, tennis courts and virtual golf.
- The Manhattan Club in New York City. In July, the Company entered into an exclusive agreement to acquire the remaining VOI inventory at The Manhattan Club under Bluegreen's "capital-light" Secondary Market program through periodic purchases over time. The Manhattan Club is 31 stories, boasts a modern fitness center, business center, Owners' lounge and 296 penthouse, one-bedroom – two bath suites, and executive suites.

### Balance Sheet and Liquidity

As of December 31, 2018, unrestricted cash and cash equivalents totaled \$219.4 million. Bluegreen had availability of approximately \$193.3 million under its receivable-backed purchase and credit facilities, inventory lines of credit and corporate credit line as of December 31, 2018, subject to eligible collateral and the terms of the facilities, as applicable. The Company's net debt-to-EBITDA as of December 31, 2018 was only 0.17x (excluding receivable-backed notes payable).

In October, the Company completed a \$117.7 million securitization of investment-grade vacation ownership loan-backed notes with a fixed, weighted-average interest rate coupon

of 4.02%. Proceeds from the notes sale were primarily used to pay down the balance on certain of the Company's receivable-backed debt facilities and the remainder was used for general corporate purposes.

Free cash flow, which the Company defines as cash flow from operating activities, less capital expenditures, was \$44.3 million for the year ended December 31, 2018, compared to \$51.9 million for the year ended December 31, 2017. The decrease in free cash flow was primarily attributable to sales office expansions, increased information technology spending, acquisition and development of traditional inventory, and decreased working capital, partially offset by lower income tax payments and lower purchases of secondary market and just-in-time inventories.

In November, the Company's Board of Directors approved a share repurchase program which authorizes the repurchase of up to 3,000,000 shares of the Company's Common Stock at an aggregate cost of no more than \$35.0 million. The program authorizes the Company, in management's discretion, to repurchase shares from time to time subject to market conditions and other factors. Through December 31, 2018, the Company had repurchased 288,532 shares for a total cost of \$4.0 million.

## **Dividend**

On January 14, 2019, Bluegreen's Board of Directors declared a quarterly common stock cash dividend of \$0.17 per share. The dividend is payable February 15, 2019 to shareholders of record as of the close of trading on January 31, 2019. This dividend represents a 13.3% increase in the Company's 2018 quarterly dividend rate of \$0.15 per share.

## **Fourth Quarter 2018 Webcast**

The Company has provided a pre-recorded business update and management presentation via webcast link, indicated below, in the Investor Relations section of its website at [ir.bluegreenvacations.com](http://ir.bluegreenvacations.com). A transcript will also be available simultaneously with the webcast. The webcast and supplemental management presentation can be accessed on the Investor Relations section of Bluegreen Vacations' website at [ir.bluegreenvacations.com](http://ir.bluegreenvacations.com). The pre-recorded presentation can also be accessed at 1-844-512-2921 (domestic) and 1-412-317-6671 (international) and entering pin number 1132845. The business update via dial-in will be available through midnight Friday, March 22, 2019. A transcript will also be available simultaneously with the webcast.

## **Forward-Looking Statements:**

Certain statements in this press release are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical fact, are forward-looking statements. Forward-looking statements are based on current expectations of management and can be identified by the use of words such as "believe", "may", "could", "should", "plans", "anticipates", "intends", "estimates", "expects", and other words and phrases of similar impact. Forward-looking statements involve risks, uncertainties and other factors, many of which are beyond our control, that may cause actual results or performance to differ from those set forth or implied in the forward-looking statements. These risks and uncertainties include, without limitation, risks relating to our

ability to successfully implement our strategic plans and initiatives; generate earnings and long-term growth; improve our digital capabilities, including our virtual reality technology; complete sales office expansions when planned or at all and that such expansions will be profitable; and risks that our marketing alliances will not contribute to growth or be profitable or that issues with our strategic partners will not be successfully resolved; dividend payments and stock buyback activity will continue at current levels, if at all, and the additional risks and uncertainties described in Bluegreen's filings with the Securities and Exchange Commission, including, without limitation, those described in the "Risk Factors" section of Bluegreen's Annual Report on Form 10-K for the year ended December 31, 2018 which is expected to be filed on or about March 1, 2019. Bluegreen cautions that the foregoing factors are not exclusive. You should not place undue reliance on any forward-looking statement, which speaks only as of the date made. Bluegreen does not undertake, and specifically disclaims any obligation, to update or supplement any forward-looking statements.

**Non-GAAP Financial Measures:**

The Company refers to certain non-GAAP financial measures in this press release, including system-wide sales of VOIs, Adjusted EBITDA, adjusted EPS and free cash flow. Please see the supplemental tables and definitions attached herein for additional information and reconciliation of such non-GAAP financial measures.

**About Bluegreen Vacations Corporation:**

Bluegreen Vacations Corporation (NYSE: BXG) is a leading vacation ownership company that markets and sells vacation ownership interests (VOIs) and manages resorts in top leisure and urban destinations. The Bluegreen Vacation Club is a flexible, points-based, deeded vacation ownership plan with approximately 216,000 owners, 69 Club and Club Associate Resorts and access to more than 11,000 other hotels and resorts through partnerships and exchange networks as of December 31, 2018. Bluegreen Vacations also offers a portfolio of comprehensive, fee-based resort management, financial, and sales and marketing services, to or on behalf of third parties. Bluegreen is approximately 90% owned by BBX Capital Corporation (NYSE: BBX) (OTCQX: BBXTB), a diversified holding company. For further information, visit [www.BluegreenVacations.com](http://www.BluegreenVacations.com).

**About BBX Capital Corporation:**

BBX Capital Corporation (NYSE: BBX) (OTCQX: BBXTB), is a Florida-based diversified holding company whose activities include its 90% ownership interest in Bluegreen Vacations Corporation (NYSE: BXG) as well as its real estate and middle market divisions. For additional information, please visit [www.BBXCapital.com](http://www.BBXCapital.com).

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**BLUEGREEN VACATIONS CORPORATION  
CONSOLIDATED STATEMENTS OF INCOME  
AND COMPREHENSIVE INCOME  
(In thousands, except for per share data)**

|  | For the Three Months Ended |                  | For the Years Ended |                   |
|--|----------------------------|------------------|---------------------|-------------------|
|  | December 31,               |                  | December 31,        |                   |
|  | Unaudited                  |                  |                     |                   |
|  | 2018                       | 2017             | 2018                | 2017              |
| <b>Revenue:</b>  |                            |                  |                     |                   |
| Gross sales of VOIs  | \$ 74,192                  | \$ 78,829        | \$ 305,530          | \$ 288,414        |
| Provision for loan losses  | (15,379 )                  | (12,906 )        | (51,305 )           | (46,397 )         |
| Sales of VOIs  | 58,813                     | 65,923           | 254,225             | 242,017           |
| Fee-based sales commission revenue   | 48,841                     | 50,343           | 216,422             | 229,389           |
| Other fee-based services revenue   | 28,552                     | 28,377           | 118,024             | 111,819           |
| Cost reimbursements  | 15,375                     | 11,979           | 62,534              | 52,639            |
| Interest income  | 22,143                     | 21,203           | 85,914              | 86,876            |
| Other income, net  | —                          | 432              | 1,201               | 312               |
| Total revenue  | 173,724                    | 178,257          | 738,320             | 723,052           |
| <b>Costs and expenses:</b>   |                            |                  |                     |                   |
| Cost of VOIs sold  | 3,975                      | 6,327            | 23,813              | 17,679            |
| Cost of other fee-based services   | 18,986                     | 15,897           | 72,968              | 64,560            |
| Cost reimbursements  | 15,375                     | 11,979           | 62,534              | 52,639            |
| Selling, general and administrative expenses   | 99,867                     | 108,942          | 415,403             | 421,199           |
| Interest expense   | 9,239                      | 6,198            | 34,709              | 29,977            |
| Other expense, net   | 68                         | —                | —                   | —                 |
| Total costs and expenses   | 147,510                    | 149,343          | 609,427             | 586,054           |
| Income before non-controlling interest and provision for income taxes                    | 26,214                     | 28,914           | 128,893             | 136,998           |
| Provision (benefit) for income taxes   | 3,544                      | (40,832 )        | 28,541              | (2,345 )          |
| Net income   | 22,670                     | 69,746           | 100,352             | 139,343           |
| Less: Net income attributable to non-controlling interest                                | 2,881                      | 3,342            | 12,390              | 12,760            |
| <b>Net income attributable to Bluegreen Vacations Corporation shareholders</b>           | <b>\$ 19,789</b>           | <b>\$ 66,404</b> | <b>\$ 87,962</b>    | <b>\$ 126,583</b> |
| <b>Comprehensive income attributable to Bluegreen Vacations Corporation shareholders</b> | <b>\$ 19,789</b>           | <b>\$ 66,404</b> | <b>\$ 87,962</b>    | <b>\$ 126,583</b> |

**BLUEGREEN VACATIONS CORPORATION  
CONSOLIDATED STATEMENTS OF INCOME  
AND COMPREHENSIVE INCOME  
(In thousands, except for per share data)**

|   | For the Three Months Ended |                | For the Years Ended |                |
|---|----------------------------|----------------|---------------------|----------------|
|   | December 31,               |                | December 31,        |                |
|   | Unaudited                  |                |                     |                |
|   | 2018                       | 2017           | 2018                | 2017           |
| <b>Earnings per share attributable to Bluegreen Vacations Corporation shareholders - Basic and diluted <sup>(1)</sup></b> | <b>\$ 0.27</b>             | <b>\$ 0.91</b> | <b>\$ 1.18</b>      | <b>\$ 1.77</b> |

Weighted average number of common shares outstanding:



|  |                |               |                |                |
|--|----------------|---------------|----------------|----------------|
| Basic and diluted <sup>(1)</sup>                 | <u>74,644</u>  | <u>72,804</u> | <u>74,712</u>  | <u>71,448</u>  |
| Cash dividends declared per share <sup>(1)</sup> | <u>\$ 0.15</u> | <u>\$ —</u>   | <u>\$ 0.60</u> | <u>\$ 0.56</u> |

(1) The number of shares outstanding for the purposes of calculation of basic and diluted earnings per share and the cash dividend reflects the stock split effected in connection with our initial public offering during November 2017 as if the stock split was effected January 1, 2016. See Note 1: Organization and Basis of Presentation within the December 31, 2018 Annual Report on Form 10-K for further discussion.

**BLUEGREEN VACATIONS CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**  
(In thousands)

|   | For the Year Ended<br>December 31, |                  |
|---|------------------------------------|------------------|
|   | 2018                               | 2017             |
| <b>Operating activities:</b>  |                                    |                  |
| Net income  | \$ 100,352                         | \$ 139,343       |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                    |                  |
| Depreciation and amortization   | 16,604                             | 14,110           |
| Loss on disposal of property and equipment  | 179                                | 524              |
| Provision for loan losses   | 51,236                             | 46,412           |
| Provision (benefit) for deferred income taxes                                     | 2,090                              | (42,022 )        |
| Changes in operating assets and liabilities:                                      |                                    |                  |
| Notes receivable  | (63,545 )                          | (47,470 )        |
| Prepaid expenses and other assets   | 2,704                              | (7,103 )         |
| Inventory   | (32,022 )                          | (42,757 )        |
| Accounts payable, accrued liabilities and other, and deferred income              | (764 )                             | 4,933            |
| Net cash provided by operating activities   | <u>76,834</u>                      | <u>65,970</u>    |
| <b>Investing activities:</b>  |                                    |                  |
| Purchases of property and equipment   | (32,539 )                          | (14,115 )        |
| Net cash used in investing activities   | <u>(32,539 )</u>                   | <u>(14,115 )</u> |
| <b>Financing activities:</b>  |                                    |                  |
| Proceeds from borrowings collateralized by notes receivable                       | 254,494                            | 203,001          |
| Payments on borrowings collateralized by notes receivable                         | (216,023 )                         | (195,919 )       |
| Proceeds from borrowings under line-of-credit facilities and notes payable        | 51,736                             | 36,426           |
| Payments under line-of-credit facilities and notes payable                        | (43,066 )                          | (34,851 )        |
| Payments of debt issuance costs   | (3,010 )                           | (3,390 )         |
| Gross proceeds from public offering   | —                                  | 48,652           |
| Payments of public offering costs   | —                                  | (1,383 )         |
| Repurchase and retirement of common stock   | (4,000 )                           | —                |
| Distributions to non-controlling interest   | (9,800 )                           | (11,270 )        |
| Dividends paid  | (44,841 )                          | (40,000 )        |
| Net cash (used in) provided by financing activities                               | <u>(14,510 )</u>                   | <u>1,266</u>     |
| <b>Net increase in cash and cash equivalents and restricted cash</b>              | <b>29,785</b>                      | <b>53,121</b>    |
| Cash, cash equivalents and restricted cash at the beginning of period             | <u>243,349</u>                     | <u>190,228</u>   |

|  |                   |                   |
|--|-------------------|-------------------|
| Cash, cash equivalents and restricted cash at end of period                  | <u>\$ 273,134</u> | <u>\$ 243,349</u> |
| <b>Supplemental schedule of operating cash flow information:</b>             |                   |                   |
| Interest paid, net of amounts capitalized                                    | <u>\$ 30,260</u>  | <u>\$ 26,244</u>  |
| Income taxes paid  | <u>\$ 25,355</u>  | <u>\$ 41,035</u>  |
| <b>Supplemental schedule of non-cash investing and financing activities:</b> |                   |                   |
| Acquisition of inventory, property, and equipment for notes payable          | <u>\$ 24,258</u>  | <u>\$ —</u>       |

**BLUEGREEN VACATIONS CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except for per share data)

|   | <u>December 31,<br/>2018</u> | <u>December 31,<br/>2017</u> |
|---|------------------------------|------------------------------|
| <b>ASSETS</b>   |                              |                              |
| Cash and cash equivalents   | \$ 219,408                   | \$ 197,337                   |
| Restricted cash (\$28,400 and \$19,488 in VIEs at December 31, 2018 and December 31, 2017, respectively)  | 53,726                       | 46,012                       |
| Notes receivable, net (\$341,975 and \$279,188 in VIEs at December 31, 2018 and December 31, 2017, respectively)  | 439,167                      | 426,858                      |
| Inventory   | 334,149                      | 281,291                      |
| Prepaid expenses  | 10,097                       | 10,743                       |
| Other assets  | 49,796                       | 52,506                       |
| Intangible assets, net  | 61,845                       | 61,978                       |
| Loan to related party   | 80,000                       | 80,000                       |
| Property and equipment, net   | 98,279                       | 74,756                       |
| Total assets  | <u>\$ 1,346,467</u>          | <u>\$ 1,231,481</u>          |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                              |                              |
| <b>Liabilities</b>  |                              |                              |
| Accounts payable  | \$ 19,515                    | \$ 22,955                    |
| Accrued liabilities and other   | 80,364                       | 77,317                       |
| Deferred income   | 16,522                       | 16,893                       |
| Deferred income taxes   | 91,056                       | 88,966                       |
| Receivable-backed notes payable - recourse  | 76,674                       | 84,697                       |
| Receivable-backed notes payable - non-recourse (in VIEs)  | 382,257                      | 336,421                      |
| Lines-of-credit and notes payable   | 133,391                      | 100,194                      |
| Junior subordinated debentures  | 71,323                       | 70,384                       |
| Total liabilities   | <u>871,102</u>               | <u>797,827</u>               |
| Commitments and Contingencies   |                              |                              |
| <b>Shareholders' Equity</b>   |                              |                              |
| Common stock, \$.01 par value, 100,000,000 shares authorized; 74,445,923 shares issued and outstanding at December 31, 2018 and 74,734,455 shares issued and outstanding at December 31, 2017 | 744                          | 747                          |
| Additional paid-in capital  | 270,369                      | 274,366                      |
| Retained earnings   | 158,641                      | 115,520                      |
| Total Bluegreen Vacations Corporation shareholders' equity  | <u>429,754</u>               | <u>390,633</u>               |
| Non-controlling interest  | 45,611                       | 43,021                       |
| Total shareholders' equity  | <u>475,365</u>               | <u>433,654</u>               |
| Total liabilities and shareholders' equity  | <u>\$ 1,346,467</u>          | <u>\$ 1,231,481</u>          |

## BLUEGREEN VACATIONS CORPORATION ADJUSTED EBITDA RECONCILIATION

| <i>(in thousands)</i>   | For the Three Months<br>Ended<br>December 31, |                  | For the Year Ended<br>December 31, |                   |
|---|---|------------------|------------------------------------|-------------------|
|   | 2018  | 2017             | 2018                               | 2017              |
|   | \$  | \$               | \$                                 | \$                |
| Net income attributable to shareholder(s)   | 19,789  | 66,404           | 87,962                             | 126,583           |
| Net income attributable to the non-controlling interest in Bluegreen/Big Cedar Vacations      | 2,881   | 3,342            | 12,390                             | 12,760            |
| Adjusted EBITDA attributable to the non-controlling interest in Bluegreen/Big Cedar Vacations | (2,947 )                                      | (3,305 )         | (12,468 )                          | (12,485 )         |
| (Gain) loss on assets held for sale   | (6 )  | 2                | 3                                  | 46                |
| Add: depreciation and amortization  | 3,303   | 2,541            | 12,392                             | 9,632             |
| Less: interest income (other than interest earned on VOI notes receivable)                    | (1,821 )                                      | (1,387 )         | (6,044 )                           | (6,874 )          |
| Add: interest expense - corporate and other   | 4,064   | 1,753            | 15,195                             | 12,168            |
| Add: franchise taxes  | 19  | 51               | 199                                | 178               |
| Add: provision (benefit) for income taxes   | 3,544   | (40,832 )        | 28,541                             | (2,345 )          |
| Add: corporate realignment cost   | 2,899   | 2,157            | 3,650                              | 5,836             |
| Add: one-time payment to Bass Pro   | —   | 4,781            | —                                  | 4,781             |
| <b>Total Adjusted EBITDA</b>  | <b>\$ 31,725</b>                              | <b>\$ 35,507</b> | <b>\$ 141,820</b>                  | <b>\$ 150,280</b> |

## BLUEGREEN VACATIONS CORPORATION SEGMENT ADJUSTED EBITDA SUMMARY

| <i>(in thousands)</i>                                   | For the Three Months Ended<br>December 31, |                  | For the Year Ended<br>December 31, |                   |
|---|--|------------------|------------------------------------|-------------------|
|   | 2018                                       | 2017             | 2018                               | 2017              |
|   | \$   | \$               | \$                                 | \$                |
| Adjusted EBITDA - sales of VOIs and financing           | 36,767                                     | 44,505           | 173,668                            | 181,647           |
| Adjusted EBITDA - resort operations and club management | 12,517                                     | 11,427           | 50,561                             | 43,350            |
| <b>Total Segment Adjusted EBITDA</b>                    | <b>49,284</b>                              | <b>55,932</b>    | <b>224,229</b>                     | <b>224,997</b>    |
| Less: Corporate and other                               | (17,559 )                                  | (20,425 )        | (82,409 )                          | (74,717 )         |
| <b>Total Adjusted EBITDA</b>                            | <b>\$ 31,725</b>                           | <b>\$ 35,507</b> | <b>\$ 141,820</b>                  | <b>\$ 150,280</b> |

## BLUEGREEN VACATIONS CORPORATION SALES OF VOIs AND FINANCING SEGMENT- ADJUSTED EBITDA

| <i>(dollars in thousands)</i>  | For the Three Months Ended December 31, |   |           |   |
|--------------------------------|---|---|-----------|---|
|                                | 2018                                    |   | 2017      |   |
|                                | Amount                                  | % of System-wide sales of VOIs <sup>(5)</sup> | Amount    | % of System-wide sales of VOIs <sup>(5)</sup> |
| Developed sales <sup>(1)</sup> | \$ 68,450                               | 47 %  | \$ 82,653 | 54 %  |
| Secondary Market sales         | 46,715                                  | 32  | 64,397    | 42  |

|   |                  |              |                  |              |
|---|------------------|--------------|------------------|--------------|
| Fee-Based sales   | 71,767           | 49           | 73,098           | 48           |
| JIT sales   | 24,176           | 17           | 8,608            | 6            |
| Less: Equity trade allowances <sup>(6)</sup>              | <u>(65,149 )</u> | <u>(45 )</u> | <u>(76,829 )</u> | <u>(50 )</u> |
| System-wide sales of VOIs                                 | 145,959          | 100 %        | 151,927          | 100 %        |
| Less: Fee-Based sales                                     | <u>(71,767 )</u> | <u>(49 )</u> | <u>(73,098 )</u> | <u>(48 )</u> |
| Gross sales of VOIs                                       | 74,192           | 51           | 78,829           | 52           |
| Provision for loan losses                                 | <u>(15,379 )</u> | <u>(21 )</u> | <u>(12,906 )</u> | <u>(16 )</u> |
| Sales of VOIs   | 58,813           | 40           | 65,923           | 43           |
| Cost of VOIs sold <sup>(3)</sup>                          | <u>(3,975 )</u>  | <u>(7 )</u>  | <u>(6,327 )</u>  | <u>(10 )</u> |
| Gross profit <sup>(3)</sup>                               | 54,838           | 93           | 59,596           | 90           |
| Fee-Based sales commission revenue <sup>(4)</sup>         | 48,841           | 68           | 50,343           | 69           |
| Financing revenue, net of financing expense               | 14,649           | 10           | 15,428           | 10           |
| Other fee-based services - title operations, net          | 1,846            | 1            | 2,714            | 2            |
| Net carrying cost of VOI inventory                        | (4,284 )         | (3 )         | (1,002 )         | (1 )         |
| Selling and marketing expenses                            | (73,653 )        | (50 )        | (77,624 )        | (51 )        |
| General and administrative expenses - sales and marketing | <u>(6,979 )</u>  | <u>(5 )</u>  | <u>(12,630 )</u> | <u>(8 )</u>  |
| Operating profit - sales of VOIs and financing            | 35,258           | 24 %         | 36,825           | 24 %         |
| Add: Depreciation   | 1,413            |              | 1,664            |              |
| Add: Corporate realignment cost                           | 96               |              | 1,235            |              |
| Add: One-time payment to Bass Pro                         | —                |              | 4,781            |              |
| Adjusted EBITDA - sales of VOIs and financing             | <u>\$ 36,767</u> |              | <u>\$ 44,505</u> |              |

(1) Developed VOI sales represent sales of VOIs acquired or developed by us under our developed VOI business. Developed VOI sales do not include Secondary Market sales, Fee-Based sales or JIT sales.

(2) Provision for loan losses is calculated as a percentage of gross sales of VOIs, which excludes Fee-Based sales (and not based on system-wide sales of VOIs).

(3) Percentages for costs of VOIs sold and gross profit are calculated as a percentage of sales of VOIs (and not based on system-wide sales of VOIs).

(4) Percentages for Fee-Based sales commission revenue are calculated as a percentage of Fee-Based sales (and not based on system-wide sales of VOIs).

(5) Represents the applicable line item, calculated as a percentage of system-wide sales of VOIs, unless otherwise indicated in the above footnotes.

(6) Equity trade allowances are amounts granted to customers upon trading in their existing VOIs in connection with the purchase of additional VOIs.

## BLUEGREEN VACATIONS CORPORATION SALES OF VOIs AND FINANCING SEGMENT- ADJUSTED EBITDA

| For the Years Ended December 31, |      |
|----------------------------------|------|
| 2018                             | 2017 |

| <i>(dollars in thousands)</i>                                | Amount            | % of<br>System-<br>wide sales<br>of VOIs <sup>(5)</sup> | Amount            | % of<br>System-<br>wide sales<br>of VOIs <sup>(5)</sup> |
|--|-------------------|---|-------------------|---|
| Developed sales <sup>(1)</sup>                               | \$ 287,292        | 46 %  | \$ 299,104        | 48 %  |
| Secondary Market sales                                       | 232,562           | 37  | 182,108           | 30  |
| Fee-Based sales  | 318,540           | 51  | 330,854           | 54  |
| JIT sales  | 56,450            | 9   | 45,982            | 7   |
| Less: Equity trade allowances <sup>(6)</sup>                 | (270,774 )        | (43 )   | (238,780 )        | (39 )   |
| System-wide sales of VOIs                                    | 624,070           | 100 %   | 619,268           | 100 %   |
| Less: Fee-Based sales  | (318,540 )        | (51 )   | (330,854 )        | (53 )   |
| Gross sales of VOIs  | 305,530           | 49  | 288,414           | 47  |
| Provision for loan losses <sup>(2)</sup>                     | (51,305 )         | (17 )   | (46,397 )         | (16 )   |
| Sales of VOIs  | 254,225           | 41  | 242,017           | 39  |
| Cost of VOIs sold <sup>(3)</sup>                             | (23,813 )         | (9 )  | (17,679 )         | (7 )  |
| Gross profit <sup>(3)</sup>                                  | 230,412           | 91  | 224,338           | 93  |
| Fee-Based sales commission revenue <sup>(4)</sup>            | 216,422           | 68  | 229,389           | 69  |
| Financing revenue, net of<br>financing expense               | 59,609            | 10  | 61,659            | 10  |
| Other fee-based services -<br>title operations, net          | 7,614             | 1   | 9,963             | 2   |
| Net carrying cost of VOI inventory                           | (11,358 )         | (2 )  | (4,220 )          | (1 )  |
| Selling and marketing expenses                               | (307,614 )        | (49 )   | (319,664 )        | (52 )   |
| General and administrative expenses -<br>sales and marketing | (27,848 )         | (4 )  | (35,191 )         | (6 )  |
| Operating profit - sales of VOIs<br>and financing            | 167,237           | 27 %  | 166,274           | 27 %  |
| Add: Depreciation and amortization                           | 6,335             |   | 6,270             |   |
| Add: Corporate realignment cost                              | 96                |   | 4,322             |   |
| Add: One-time payment to Bass Pro                            | —                 |   | 4,781             |   |
| Adjusted EBITDA - sales of VOIs<br>and financing             | <u>\$ 173,668</u> |   | <u>\$ 181,647</u> |   |

(1) Developed VOI sales represent sales of VOIs acquired or developed by us under our developed VOI business. Developed VOI sales do not include Secondary Market sales, Fee-Based sales or JIT sales.

(2) Provision for loan losses is calculated as a percentage of gross sales of VOIs, which excludes Fee-Based sales (and not based on system-wide sales of VOIs).

(3) Percentages for costs of VOIs sold and gross profit are calculated as a percentage of sales of VOIs (and not based on system-wide sales of VOIs).

(4) Percentages for Fee-Based sales commission revenue are calculated as a percentage of Fee-Based sales (and not based on system-wide sales of VOIs).

(5) Represents the applicable line item, calculated as a percentage of system-wide sales of VOIs, unless otherwise indicated in the above footnotes.

(6) Equity trade allowances are amounts granted to customers upon trading in their existing VOIs in connection with the purchase of additional VOIs.

## SALES OF VOIs AND FINANCING SEGMENT SALES AND MARKETING DATA

|  | For the Three Months Ended<br>December 31, |           |          | For the Twelve Months Ended<br>December 31, |           |          |
|--|--|-----------|----------|---|-----------|----------|
|  | 2018                                       | 2017      | % Change | 2018  | 2017      | % Change |
| <i>(dollars in thousands)</i>  |  |           |          |   |           |          |
| Number of sales offices at period-end                                      | 26   | 23        | 13       | 26  | 23        | 13       |
| Number of active sales arrangements with third-party clients at period-end | 15   | 16        | (6 )     | 15  | 16        | (6 )     |
| Total number of VOI sales transactions                                     | 9,128                                      | 10,067    | (9 )     | 40,087                                      | 40,705    | (2 )     |
| Average sales price per transaction  | \$ 16,085                                  | \$ 15,135 | 6        | \$ 15,692                                   | \$ 15,365 | 2        |
| Number of total guest tours  | 55,958                                     | 58,570    | (4 )     | 238,141                                     | 252,257   | (6 )     |
| Sale-to-tour conversion ratio– total marketing guests                      | 16.3 %                                     | 17.2 %    | (5 )     | 16.8 %                                      | 16.1 %    | 4        |
| Number of new guest tours  | 33,002                                     | 36,410    | (9 )     | 146,623                                     | 162,083   | (10 )    |
| Sale-to-tour conversion ratio– new marketing guests                        | 13.9 %                                     | 14.5 %    | (4 )     | 14.3 %                                      | 13.4 %    | 7        |
| Percentage of sales to existing owners                                     | 53.4 %                                     | 51.3 %    | 4        | 51.6 %                                      | 49.4 %    | 4        |
| Average sales volume per guest   | \$ 2,624                                   | \$ 2,601  | 1        | \$ 2,642                                    | \$ 2,479  | 7        |

## BLUEGREEN VACATIONS CORPORATION RESORT OPERATIONS AND CLUB MANAGEMENT SEGMENT- ADJUSTED EBITDA

|  | For the Three Months Ended<br>December 31, |           | For the Year Ended<br>December 31, |            |
|--|--|-----------|------------------------------------|------------|
|  | 2018                                       | 2017      | 2018                               | 2017       |
| <i>(dollars in thousands)</i>                            |  |           |                                    |            |
| Resort operations and club management revenue            | \$ 41,077                                  | \$ 36,541 | \$ 168,353                         | \$ 149,716 |
| Resort operations and club management expense            | (29,072 )                                  | (25,773 ) | (119,553 )                         | (108,200 ) |
| Operating profit - resort operations and club management | 12,005                                     | 10,768    | 48,800                             | 41,516     |
| Add: Depreciation and amortization                       | 470  | 404       | 1,719                              | 1,579      |
| Add: Corporate realignment cost                          | 42   | 255       | 42                                 | 255        |
| Adjusted EBITDA - resort operations and club management  | \$ 12,517                                  | \$ 11,427 | \$ 50,561                          | \$ 43,350  |

## BLUEGREEN VACATIONS CORPORATION CORPORATE AND OTHER - ADJUSTED EBITDA

|   | For the Three Months<br>Ended<br>December 31, |              | For the Year Ended<br>December 31, |              |
|---|---|--------------|------------------------------------|--------------|
|   | 2018  | 2017         | 2018                               | 2017         |
| <i>(in thousands)</i>   |   |              |                                    |              |
| General and administrative expenses - corporate and other                                     | \$ (18,964 )                                  | \$ (18,833 ) | \$ (79,687 )                       | \$ (66,155 ) |
| Adjusted EBITDA attributable to the non-controlling interest in Bluegreen/Big Cedar Vacations | (2,947 )                                      | (3,305 )     | (12,468 )                          | (12,485 )    |

|  |                     |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|
| Other income, net  | (68 )               | 432                 | 1,201               | 312                 |
| Financing revenue -corporate and other                               | 2,047               | 1,475               | 6,537               | 7,219               |
| Interest income (other than interest earned on VOI notes receivable) | (1,821 )            | (1,387 )            | (6,044 )            | (6,874 )            |
| Franchise taxes  | 19                  | 51                  | 199                 | 178                 |
| Loss (gain) on assets held for sale                                  | (6 )                | 2                   | 3                   | 46                  |
| Depreciation and amortization  | 1,420               | 473                 | 4,338               | 1,783               |
| Corporate realignment cost   | 2,761               | 667                 | 3,512               | 1,259               |
| Corporate and other  | <u>\$ (17,559 )</u> | <u>\$ (20,425 )</u> | <u>\$ (82,409 )</u> | <u>\$ (74,717 )</u> |

## BLUEGREEN VACATIONS CORPORATION FREE CASH FLOW RECONCILIATION

|   |   |                  |
|---|---|------------------|
|   | <b>For the Years Ended December 31,</b> |                  |
|   | <b>2018</b>                             | <b>2017</b>      |
| <i>(in thousands)</i>                     |   |                  |
| Net cash provided by operating activities | \$ 76,834                               | \$ 65,970        |
| Purchases of property and equipment       | (32,539 )                               | (14,115 )        |
| Free Cash Flow                            | <u>\$ 44,295</u>                        | <u>\$ 51,855</u> |

## BLUEGREEN VACATIONS CORPORATION OTHER FINANCIAL DATA

|                                |  |             |   |             |
|--------------------------------|--|-------------|---|-------------|
|                                | <b>For the Three Months Ended<br/>December 31,</b> |             | <b>For the Twelve Months Ended<br/>December 31,</b> |             |
|                                | <b>2018</b>  | <b>2017</b> | <b>2018</b>   | <b>2017</b> |
| <i>(in thousands)</i>          |  |             |   |             |
| Financing Interest Income      | \$ 20,096  | \$ 19,728   | \$ 79,377   | \$ 79,657   |
| Financing Interest Expense     | (5,175 )   | (4,445 )    | (19,514 )   | (17,809 )   |
| Non-Financing Interest Income  | 2,047  | 1,475       | 6,537   | 7,219       |
| Non-Financing Interest Expense | (4,064 )   | (1,753 )    | (15,195 )   | (12,168 )   |
| Mortgage Servicing Income      | 1,581  | 1,425       | 5,951   | 5,206       |
| Mortgage Servicing Expense     | (1,853 )   | (1,280 )    | (6,205 )  | (5,395 )    |
| Title Revenue                  | 2,850  | 3,815       | 12,205  | 14,742      |
| Title Expense                  | (1,004 )   | (1,101 )    | (4,591 )  | (4,779 )    |

## BLUEGREEN VACATIONS CORPORATION SYSTEM-WIDE SALES OF VOIs RECONCILIATION

|                           |  |                   |   |                   |
|---------------------------|--|-------------------|---|-------------------|
|                           | <b>For the Three Months Ended<br/>December 31,</b> |                   | <b>For the Twelve Months Ended<br/>December 31,</b> |                   |
|                           | <b>2018</b>  | <b>2017</b>       | <b>2018</b>   | <b>2017</b>       |
| <i>(in thousands)</i>     |  |                   |   |                   |
| Gross sales of VOIs       | \$ 74,192  | \$ 78,829         | \$ 305,530  | \$ 288,414        |
| Add: Fee-based sales      | 71,767   | 73,098            | 318,540   | 330,854           |
| System-wide sales of VOIs | <u>\$ 145,959</u>                                  | <u>\$ 151,927</u> | <u>\$ 624,070</u>                                   | <u>\$ 619,268</u> |

## BLUEGREEN VACATIONS CORPORATION DEFINITIONS

### Principal Components Affecting our Results of Operations

#### **Principal Components of Revenue**

*Fee-Based Sales.* Represent sales of third-party VOIs where we are paid a commission.

*JIT Sales.* Represent sales of VOIs acquired from third parties in close proximity to when we intend to sell such VOIs.

*Secondary Market Sales.* Represent sales of VOIs acquired from HOAs or other owners, typically in connection with HOA maintenance fee defaults. This inventory is generally purchased at a greater discount to retail price compared to developed VOI sales and JIT sales.

*Developed VOI Sales.* Represent sales of VOIs in resorts that we have developed or acquired (not including inventory acquired through JIT and secondary market arrangements).

*Financing Revenue.* Represents revenue from the financing of VOI sales, which includes interest income and loan servicing fees. This also includes fees from certain third-party developers for providing mortgage servicing of loans granted by them to purchasers of their VOIs.

*Resort Operations and Club Management Revenue.* Represents recurring fees from managing the Vacation Club and transaction fees for certain resort amenities and certain member exchanges. We also earn recurring management fees under our management agreements with HOAs for day-to-day management services, including oversight of housekeeping services, maintenance, and certain accounting and administrative functions.

*Other Fee-Based Services.* Represents revenue earned from various other services that produce recurring, predictable and long-term revenue, such as title services.

#### **Principal Components of Expenses**

*Cost of VOIs Sold.* Represents the cost at which our owned VOIs sold during the period were relieved from inventory. In addition to inventory from our VOI business, our owned VOIs also include those that were acquired by us under JIT and secondary market arrangements. Compared to the cost of our developed VOI inventory, VOIs acquired in connection with JIT arrangements typically have a relatively higher associated cost of sales as a percentage of sales while those acquired in connection with secondary market arrangements typically have a lower cost of sales as a percentage of sales as secondary market inventory is generally obtained from HOAs at a significant discount to retail price. Cost of VOIs sold as a percentage of sales of VOIs varies between periods based on the relative costs of the specific VOIs sold in each period and the size of the point packages of the VOIs sold (primarily due to offered volume discounts, and taking into account consideration of cumulative sales to existing owners). Additionally, the effect of changes in estimates under the relative sales value method, including estimates of projected sales,



future defaults, upgrades and incremental revenue from the resale of repossessed VOI inventory, are reflected on a retrospective basis in the period the change occurs. Cost of sales will typically be favorably impacted in periods where a significant amount of secondary market VOI inventory is acquired or actual defaults and equity trades are higher and the resulting change in estimate is recognized. While we believe that there is additional inventory that can be obtained through the secondary market at favorable prices to us in the future, there can be no assurance that such inventory will be available as expected.

*Net Carrying Cost of VOI Inventory.* Represents the maintenance fees and developer subsidies for unsold VOI inventory paid or accrued to the HOAs that maintain the resorts. We attempt to offset this expense, to the extent possible, by generating revenue from renting our VOIs and by utilizing the inventory in our sampler programs. We net such revenue from this expense item.

*Selling and Marketing Expense.* Represents costs incurred to sell and market VOIs, including costs relating to marketing and incentive programs, tours, and related wages and sales commissions. Revenue from vacation package sales are netted against selling and marketing expenses.

*Financing Expense.* Represents financing interest expense related to our receivable-backed debt, amortization of the related debt issuance costs and other expenses incurred in providing financing and servicing loans, including administrative costs associated with mortgage servicing activities for our loans and the loans of certain third-party developers. Mortgage servicing activities include, amongst other things, payment processing, reporting and collection services.

*Resort Operations and Club Management Expense.* Represents costs incurred to manage resorts and the Vacation Club, including payroll and related costs and other administrative costs to the extent not reimbursed by the Vacation Club or HOAs.

*General and Administrative Expense.* Primarily represents compensation expense for personnel supporting our business and operations, professional fees (including consulting, audit and legal fees), and administrative and related expenses.

### **Key Business and Financial Metrics and Terms Used by Management**

*Sales of VOIs.* Represent sales of our owned VOIs, including developed VOIs and those acquired through JIT and secondary market arrangements, reduced by equity trade allowances and an estimate of our provision for loan losses. In addition to the factors impacting system-wide sales of VOIs, sales of VOIs are impacted by the proportion of system-wide sales of VOIs sold on behalf of third-parties on a commission basis, which are not included in sales of VOIs.

*System-wide Sales of VOIs.* Represents all sales of VOIs, whether owned by us or a third party immediately prior to the sale. Sales of VOIs owned by third parties are transacted as sales of VOIs in our Vacation Club through the same selling and marketing process we use to sell our VOI inventory. We consider system-wide sales of VOIs to be an important operating measure because it reflects all sales of VOIs by our sales and marketing operations without regard to whether we or a third party owned such VOI inventory at the time of sale. System-wide sales of VOIs is not a recognized term under GAAP and should not be considered as an alternative to sales of VOIs or any other measure of financial

performance derived in accordance with GAAP or to any other method of analyzing our results as reported under GAAP.

*Guest Tours.* Represents the number of sales presentations given at our sales centers during the period.

*Sale to Tour Conversion Ratio.* Represents the rate at which guest tours are converted to sales of VOIs and is calculated by dividing the number of sales transactions by the number of guest tours.

*Average Sales Volume Per Guest ("VPG").* Represents the sales attributable to tours at our sales locations and is calculated by dividing VOI sales by guest tours. We consider VPG to be an important operating measure because it measures the effectiveness of our sales process, combining the average transaction price with the sale-to-tour conversion ratio.

*Adjusted EBITDA.* We define Adjusted EBITDA as earnings, or net income, before taking into account interest income (excluding interest earned on VOI notes receivable), interest expense (excluding interest expense incurred on debt secured by our VOI notes receivable), income and franchise taxes, loss (gain) on assets held for sale, depreciation and amortization, amounts attributable to the non-controlling interest in Bluegreen/Big Cedar Vacations (in which we own a 51% interest), and items that we believe are not representative of ongoing operating results. For purposes of the Adjusted EBITDA calculation, no adjustments were made for interest income earned on our VOI notes receivable or the interest expense incurred on debt that is secured by such notes receivable because they are both considered to be part of the operations of our business.

We consider our total Adjusted EBITDA and our Segment Adjusted EBITDA to be an indicator of our operating performance, and it is used by us to measure our ability to service debt, fund capital expenditures and expand our business. Adjusted EBITDA is also used by companies, lenders, investors and others because it excludes certain items that can vary widely across different industries or among companies within the same industry. For example, interest expense can be dependent on a company's capital structure, debt levels and credit ratings. Accordingly, the impact of interest expense on earnings can vary significantly among companies. The tax positions of companies can also vary because of their differing abilities to take advantage of tax benefits and because of the tax policies of the jurisdictions in which they operate. As a result, effective tax rates and provision for income taxes can vary considerably among companies. Adjusted EBITDA also excludes depreciation and amortization because companies utilize productive assets of different ages and use different methods of both acquiring and depreciating productive assets. These differences can result in considerable variability in the relative costs of productive assets and the depreciation and amortization expense among companies.

Adjusted EBITDA is not a recognized term under GAAP and should not be considered as an alternative to net income (loss) or any other measure of financial performance or liquidity, including cash flow, derived in accordance with GAAP, or to any other method of analyzing our results as reported under GAAP. The limitations of using Adjusted EBITDA as an analytical tool include, without limitation, that Adjusted EBITDA does not reflect (i) changes in, or cash requirements for, our working capital needs; (ii) our interest expense, or the cash requirements necessary to service interest or principal payments on our indebtedness (other than as noted above); (iii) our tax expense or the cash requirements to pay our taxes; (iv)

historical cash expenditures or future requirements for capital expenditures or contractual commitments; or (v) the effect on earnings or changes resulting from matters that we consider not to be indicative of our future operations or performance. Further, although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements. In addition, our definition of Adjusted EBITDA may not be comparable to definitions of Adjusted EBITDA or other similarly titled measures used by other companies.



Source: BBX Capital Corporation